

STATEMENT OF PUC COMMISSIONER LORETTA LYNCH

On December 21, 2000, the California Public Utilities Commission issued an order stating its intent to conduct independent audits of Southern California Edison's and Pacific Gas & Electric Company's financial circumstances.

On December 26, 2000, KPMG and the Barrington-Wellesley Group commenced immediate review of the financial condition of Southern California Edison Company and Pacific Gas & Electric Company. These auditors took on an extraordinary task – reviewing the books of the utilities as well as their parent companies in an abbreviated time frame, as full audits of multiple corporate entities usually require six months or more to complete. I commend KPMG and BWG for providing this audit in an extraordinary time frame – one month after beginning the work.

The factual data underlying the analyses of the auditors has been provided to the utilities in advance to identify any confidentiality concerns. Southern California Edison Company has agreed to make the underlying data public. PG&E raised several objections to the release of the underlying data, primarily with respect to facts involving their affiliates. By the attached Assigned Commissioner Ruling, I have overruled PG&E's confidentiality objections based on the overriding public interest in this information, and hereby release it publicly. The attached narrative is comprised of the auditors' analysis, based upon the underlying data as reflected in the tables and exhibits attached to the audits.

The data provided by the auditors is current as of 12/31/00. I have directed the auditors to update the data and their analyses to reflect January actuals when that data becomes available at the end of January. I have directed the auditors to perform that update on an expedited basis, so that policymakers and regulators will have continuous access to updated audit results as current actual data becomes available. In addition, the report may include minor and inadvertent errors that the auditors will correct as they discover them. These errors may result because I have directed the release of this report now in the interest of providing information to decision-makers and the public during this period of intensive review of California's energy crisis.

The auditors performed a preliminary analysis of the TURN proposal for the CPUC's use in the ongoing Rate Stabilization Proceedings. I have directed each audit team to provide a complete analysis of all such proposals submitted to the CPUC for the CPUC's consideration in the rate Stabilization Proceedings.